

# **Financial Transactions and Reports Analysis Centre of Canada**

**2012–13**

**Departmental Performance Report**

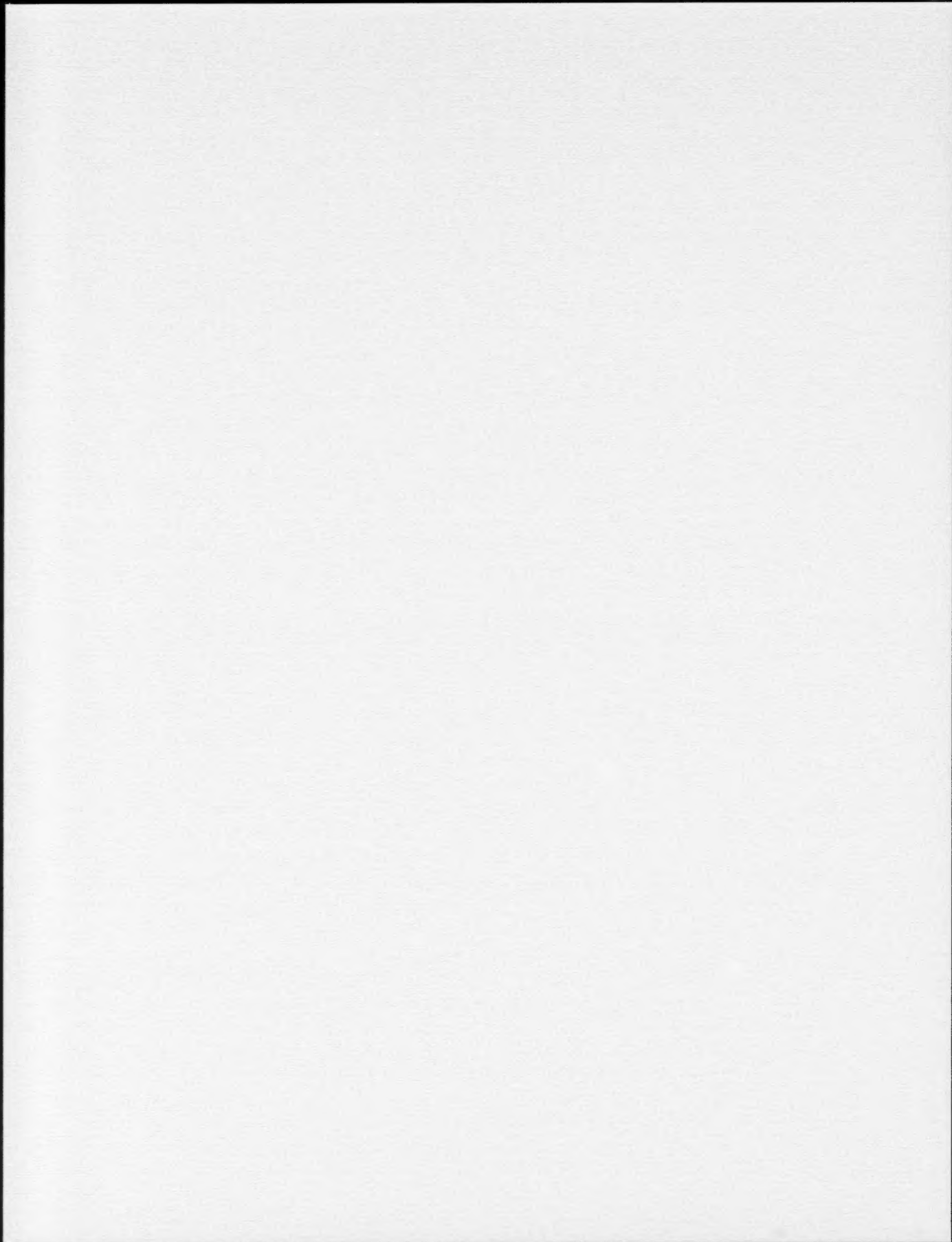
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The Honourable James M. Flaherty  
Minister of Finance



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## Director's Message

I am pleased to present the Departmental Performance Report for the Financial Transactions and Reports Analysis Centre of Canada (FINTRAC), an outline of the Centre's operations and results for the 2012-13 fiscal year.

FINTRAC is Canada's financial intelligence unit and plays a critical role in combatting money laundering and terrorist financing. Our financial intelligence is a valuable resource to Canada's law enforcement and national security agencies.

In 2012-13, FINTRAC provided 919 disclosures of actionable financial intelligence to our regime partners. Our contributions were recognized publicly by several law enforcement agencies as providing valuable assistance to criminal investigations that led to successful disruption of money laundering schemes. To ensure the continued alignment of our financial intelligence to the priorities of our investigative partners, FINTRAC became a member of the Canadian Association of Chiefs of Police and its committees dealing with organized crime and national security, as well as the Canadian Integrated Response to Organized Crime committee.

Our strategic financial intelligence provided analysis and assessments on various groups, countries and activities of interest to Canada's security and intelligence community, as well as to government decision-makers. We were increasingly sought out by our partners to share financial intelligence and to advance the government's knowledge of the financial dimensions of organized crime and terrorism.

We also placed great emphasis on our compliance program intended to both facilitate and assess reporting entities' compliance with the law. During the year, we refocused our examination process and streamlined our communication of examination results with respect to the individuals and entities that have legal obligations under the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (PCMLTFA) and its regulations. By continuing to work with reporting entities to ensure that effective compliance measures are adopted, we are ensuring that there is better information available for analysis and a stronger deterrent to money laundering and terrorist financing within the Canadian financial system.

At FINTRAC, a key measure of our success is the quality of the financial intelligence we can provide and the assistance we are able to offer. By working together with our partners in Canada's anti-money laundering and anti-terrorist financing regime we are making a significant contribution to the public safety of Canadians and to the protection of the integrity of Canada's financial system.







## Section I: Organizational Overview

### Raison d'être

The Financial Transactions and Reports Analysis Centre of Canada (FINTRAC) is Canada's financial intelligence unit (FIU). The Centre exists to assist in the detection, prevention and deterrence of money laundering and the financing of terrorist activities. FINTRAC's 'value-added' financial intelligence products and compliance functions are a unique contribution to the public safety of Canadians and to the protection of the integrity of Canada's financial system.

FINTRAC is an independent agency that operates at arm's length from the law enforcement agencies and other entities to which it is authorized to disclose financial intelligence. It reports to the Minister of Finance, who is accountable to Parliament for the activities of the Centre. FINTRAC was established by, and operates within, the ambit of the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act (PCMLTFA)* and its regulations.

### FINTRAC's Mission

To contribute to the public safety of Canadians and help protect the integrity of Canada's financial system through the detection and deterrence of money laundering and terrorist financing.

### FINTRAC's Vision

To be recognized as a world class financial intelligence unit in the global fight against money laundering and terrorist financing.

### Responsibilities

FINTRAC is one of several domestic partners in Canada's Anti-Money Laundering and Anti-Terrorist Financing (AML/ATF) Regime, which also includes the Department of Finance as the policy lead, the Royal Canadian Mounted Police (RCMP), the Canadian Security Intelligence Service (CSIS), the Canada Revenue Agency (CRA), the Canada Border Services Agency (CBSA), the Office of the Superintendent of Financial Institutions (OSFI), the Public Prosecution Service of Canada, the Department of Justice, and Public Safety Canada. FINTRAC is also part of the Egmont Group, an international network of financial intelligence units that collaborate and exchange information to combat money laundering and terrorist activity financing.

FINTRAC's role is to facilitate the detection, prevention and deterrence of money laundering and terrorist activity financing by engaging in the following activities:

- Receiving financial transaction reports and voluntary information on money laundering and terrorist activity financing in accordance with the legislation and regulations;
- Safeguarding personal information under its control;
- Ensuring compliance of reporting entities with the legislation and regulations;
- Maintaining a registry of money services businesses in Canada;
- Producing financial intelligence relevant to investigations of money laundering, terrorist activity financing and threats to the security of Canada;
- Researching and analyzing data from a variety of information sources that shed light on trends and patterns in money laundering and terrorist activity financing; and
- Enhancing public awareness and understanding of money laundering and terrorist activity financing.

FINTRAC's headquarters are located in Ottawa, with three regional offices in Montreal, Toronto and Vancouver having specific mandates related to compliance with the PCMLTFA.

## Strategic Outcome and Program Alignment Architecture

To effectively pursue its mandate, FINTRAC aims to achieve a single Strategic Outcome supported by the Program Alignment Architecture (PAA) summarized below.





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**Protecting the Privacy of Canadians**

The protection of the personal information that FINTRAC receives is an integral part of the Centre's mandate. The PCMLTFA establishes stringent rules that govern both the management and disclosure of all information contained in the Centre's transaction reports and other records. All facets of FINTRAC's operations are subject to rigorous security measures that ensure the safeguarding of the Centre's physical premises and IT systems, and include the handling, storage and retention of all personal and other sensitive information under its control.

FINTRAC's premises and information systems in Ottawa, Montreal, Toronto and Vancouver are protected by multi-layered and integrated security systems. Employees have access to sensitive information on a need-to-know basis. They must maintain a high-level security clearance as a condition of employment and are trained in their responsibilities involving the protection of personal information.

As required pursuant to the PCMLTFA, the Office of the Privacy Commissioner reviews FINTRAC's information protection measures every two years. The second review was conducted in 2012 and 2013. FINTRAC looks forward to the final report, and to responding to any recommendations that will help to further strengthen the Centre's measures to protect information.

## Organizational Priorities

For 2012–13, FINTRAC identified five Centre-wide priorities to guide the management of resources toward achieving its Strategic Outcome. FINTRAC's performance with respect to achieving these Strategic Priorities during the 2012–13 fiscal year is summarized below.

Priority	Type	Program
Produce quality financial intelligence products that are aligned with our partners' priorities and identify trends related to money laundering and terrorist financing.	New	<ul style="list-style-type: none"> <li>Financial Intelligence Program</li> </ul>
<b>Summary of Progress</b>		
<ul style="list-style-type: none"> <li>Through ongoing discussions with law enforcement and intelligence agencies at the national, provincial, and municipal levels (including the RCMP, CSIS, CRA, CBSA), and the continuous receipt of voluntary information records, used to signal priority investigations where financial intelligence could make an important contribution, FINTRAC was able to contribute to key law enforcement and national security investigations by providing timely and actionable financial intelligence.</li> <li>FINTRAC was publicly identified by several law enforcement agencies as making a valuable contribution to investigations that led to the successful disruption of money laundering schemes and subsequent charges being laid.</li> <li>FINTRAC also continued to work with its partners in the security and intelligence community to establish priorities for the Centre's classified and unclassified strategic financial intelligence assessments, briefs and reports. During the year, FINTRAC produced various types of strategic intelligence to support the priorities of the national security policy-making community, domestic regime partners, and the broader security and intelligence community. The Centre also shared research findings and expertise, engaged with partners to further joint interests, and provided support as needed on ad hoc priority requests from the Government of Canada and allied partners.</li> <li>In addition, FINTRAC was able to gain access to additional law enforcement databases over the past year, providing valuable new sources of information to further assist the analyses and production of actionable financial intelligence.</li> </ul>		

Priority	Type	Program
Deliver an effective national risk-based compliance program.	New	<ul style="list-style-type: none"> <li>• Compliance Program</li> </ul>
Summary of Progress		
<ul style="list-style-type: none"> <li>• As part of FINTRAC's ongoing efforts to deliver an effective compliance program, the Centre continued to streamline and refine the tools and processes for assessing compliance among reporting entities covered under the PCMLTFA. During the year, FINTRAC increased its use of business intelligence (research) and business analytics to help focus program activities with the development, testing and operationalization of enhanced risk assessment models to better detect entities' level of non-compliance and allow for better prioritization and objectivity when addressing non-compliance.</li> <li>• The Centre also undertook a comprehensive review of its examination process to better align assessments with the level of non-compliance observed, while streamlining the communication of examination results to further clarify expectations and consequences of non-compliance. These initiatives will result in enhanced transparency, fairness, efficiency and effectiveness of the program and will enhance FINTRAC's ability to effectively deploy its examination resources with the view to strengthening the compliance levels within the various sectors covered under the legislation.</li> <li>• As part of a new initiative, FINTRAC created a major reporters team to better manage FINTRAC's relationship with the largest of the reporting entities in the financial sector. Beginning in 2013–14, this team will provide tailored engagement activities as well as regular supervision as part of FINTRAC's ongoing efforts to enhance compliance and facilitate improved reporting.</li> <li>• Throughout the year, FINTRAC worked to improve overall reporting entity compliance by: <ul style="list-style-type: none"> <li>○ Drafting a risk-based approach (RBA) methodology for reporting entities. A communication and consultation strategy was developed and consultations were held with selected stakeholders. Publication will occur in 2014 that will align with the new regulatory changes stemming from the PCMLTF Regulations amendment on Customer Due Diligence.</li> <li>○ Revising the examination brochure that was finalized and published on the website in April 2013. The brochure describes reporting entities' responsibilities and what they can expect from FINTRAC when undergoing a compliance examination. As well, to meet the needs of the diverse reporting entity population, a sector-specific brochure for money services businesses was published in eight languages. A comprehensive new plain language section, that clearly explains the obligations of money services businesses under the PCMLTFA, was also developed and deployed on the FINTRAC website.</li> </ul> </li> </ul>		

Priority	Type	Programs
Pursue policy and legislative opportunities to strengthen the anti-money laundering and anti-terrorist financing (AML/ATF) Regime.	Ongoing	<ul style="list-style-type: none"> <li>Financial Intelligence Program</li> <li>Compliance Program</li> </ul>
<b>Summary of Progress</b>		
<ul style="list-style-type: none"> <li>Contributing to regulatory and legislative proposals for amendments that will enhance existing legislation and playing an influential role in the development of AML/ATF policy, legislation and standards in Canada and internationally is an important priority for FINTRAC.</li> <li>During the year, a second five-year legislated review of the Proceeds of Crime (Money Laundering) and Terrorist Financing Act (PCMLTFA) was conducted by the Standing Senate Committee on Banking, Trade and Commerce. Over the course of the Parliamentary Review, FINTRAC testified before the Committee on three separate occasions. On March 20, 2013, the Senate Committee tabled its report, which included 18 recommendations that the Government of Canada is reviewing and considering for future proposals. FINTRAC has worked with the Department of Finance, the Regime policy lead, to identify several proposed amendments as part of the legislative review of the PCMLTFA.</li> <li>FINTRAC also participated as a subject matter expert in Canada's delegation to the Financial Action Task Force, led by the Department of Finance. In this role, the Centre assisted in the development of the evaluation methodology that will be used to assess the anti-money laundering and anti-terrorist financing regimes of all jurisdictions in the coming years.</li> <li>In February 2013, the government published regulatory amendments to enhance existing obligations related to customer due diligence and record keeping. In advance of these amendments coming into force in February 2014, FINTRAC prepared revised guidance for reporting entities. The Centre consulted broadly with reporting entities on the guidelines early in 2013–14 fiscal year.</li> </ul>		

Priority	Type	Programs
Be innovative and collaborative in our approach to operationalizing processes to maximize efficiency and effectiveness.	New	<ul style="list-style-type: none"> <li>Financial Intelligence Program</li> <li>Compliance Program</li> <li>Internal Services</li> </ul>
<b>Summary of Progress</b>		
<ul style="list-style-type: none"> <li>Over the past year, FINTRAC has conducted extensive research and analysis to identify possible approaches to modernizing the Centre's analytical systems and data mining tools. As an intelligence agency, FINTRAC must continually invest in information management technology that allows it to provide timely and valued financial intelligence to law enforcement and national security regime partners.</li> <li>The Centre upgraded its address standardization software in order to improve the quality of transaction reports and enhance data matching capabilities.</li> <li>In support of the compliance program, FINTRAC began implementing a workload delivery system to improve the efficiency of the examination process by automating and assigning workload information.</li> </ul>		



- FINTRAC has also commenced a series of projects intended to improve interactions with money services businesses (MSBs). For example, FINTRAC reformatted a section of its website to ease navigation and improve accessibility for MSBs. At the same time, work has commenced to streamline the process used to register with FINTRAC and to improve the current search function that allows Canadians to access publicly available information on these businesses.
- Many of FINTRAC's investments in technology are multi-year and multi-partner efforts and will continue to be a focus in 2013–14. For example, the Centre will be working with Shared Services Canada to replace ageing hardware and computer platforms in order to be able to implement new capabilities and technology. At the same time, a key focus going forward will be on the modernization of the Centre's analytical systems and tools.

Priority	Type	Programs
Promote excellence in our workforce and strengthen our business and people management frameworks.	New	<ul style="list-style-type: none"> <li>• Financial Intelligence Program</li> <li>• Compliance Program</li> <li>• Internal Services</li> </ul>
<b>Summary of Progress</b>		
<ul style="list-style-type: none"> <li>• FINTRAC's ability to successfully deliver its programs is directly linked to the adaptability, skills and engagement of its employees, and the tools and resources that are available to support their work. FINTRAC places a strong focus on the effective management of its human, technological and financial resources. In 2012–13, FINTRAC made considerable progress against the objectives of this priority.</li> <li>• The new <i>FINTRAC Code of Conduct, Values and Ethics</i> was released to harmonize the new <i>Values and Ethics Code for the Public Sector</i> with the Centre's specific expectations for behaviour that upholds the highest professional and ethical standards.</li> <li>• New policies and directives were developed to help strengthen FINTRAC's People Management Framework and to clarify the Centre's expectation that people management investments support the business priorities of the Centre as well as the professional development of its employees. A number of learning initiatives were undertaken to increase staff understanding of people management as well as FINTRAC operations.</li> <li>• As important steps in evaluating and improving its people management results, FINTRAC developed a two-year action plan based on the results of the 2011 Public Service Employee Survey, and undertook an independent Employment Systems Review to formally examine employment equity at the Centre.</li> <li>• Planning at the Centre was strengthened with the launch of a staffing plans exercise to coincide with other business planning exercises.</li> <li>• To ensure that the Centre is managed on the basis of effective policies and reliable information, FINTRAC also updated its policies and guidelines in the areas of procurement, travel and hospitality, and conference participation. Improvements to corporate financial reporting through the implementation of a new reporting tool accessible throughout the organization was also introduced.</li> </ul>		



## Risk Analysis

FINTRAC is committed to identifying and managing the risks inherent in the delivery of its programs and the achievement of its strategic outcome. Risk management planning is a critical element in accomplishing those objectives. FINTRAC's approach aims to identify the risk factors that pose a threat to the Centre's ability to achieve its strategic outcome and, to the extent possible, to develop effective measures to mitigate those risks.

During the fiscal year, FINTRAC continued to make progress in the implementation of integrated risk management throughout the various levels of the organization. To ensure access to current risk information that supports decision making, the Centre conducted a risk assessment as part of its annual planning process that identified, analyzed and evaluated the key risks that could impede its ability to achieve expected results and deliver its mandate. The results of this process were used to update FINTRAC's Corporate Risk Profile (CRP), which is the key document for communicating, monitoring and mitigating key risks.

The top corporate risks identified in the Corporate Risk Profile were approved by FINTRAC's Executive Committee and are monitored regularly to ensure implementation of mitigation measures as appropriate. The top corporate risks identified in FINTRAC's 2012–13 CRP are discussed in the following table.

Risk	Risk Response Strategy	Link to Program Alignment Architecture
<p><b>Information Tools and Systems</b></p> <p>There is a risk that FINTRAC's existing business systems that support the analysis of financial information in order to identify ML/ TF activities may not be sufficient to meet present and near-term future requirements.</p>	<p>During the risk assessment process, the present and near-term future requirements of the Centre's business and analytical systems emerged as a key corporate challenge for the Centre.</p> <p>Despite FINTRAC's successes in producing increasing levels of financial intelligence (both tactical disclosures and strategic analysis and reports), in recent years significant challenges have emerged in conducting analytical work. As with any system maturing, the business needs have expanded beyond the original design of the system. At this time, FINTRAC's information technology infrastructure and analytic systems are at the end of their life cycle and unable to keep up with the volumes of data the Centre receives. In order to meet ever increasing demands and expectations, FINTRAC has identified the need to prepare and implement a multi-year strategy to modernize its analysis function and establish new agile business processes and tools.</p> <p>The Centre has also embarked, in collaboration with Shared Services Canada (SSC) on a renewal of the underlying hardware platform on which FINTRAC's analytic systems reside. This renewal will be conducted in a manner that will support the objectives of analytics modernization.</p>	<ul style="list-style-type: none"> <li>• Financial Intelligence Program</li> <li>• Internal Services</li> </ul>

<p><b>Protection of Information</b></p> <p>There is a risk that the information entrusted to FINTRAC may be improperly accessed, used, obtained and/or compromised.</p>	<p>FINTRAC receives sensitive financial information and is responsible for protecting its confidentiality.</p> <p>To ensure the continued protection of personal and other sensitive information, FINTRAC employs a number of safeguards including: incident monitoring; access controls through information management/information technology (IM/IT) protocols; and a strong information management program.</p> <p>Employees have access to personal information only on a need-to-know basis. They all have a high security clearance, and are trained in their responsibilities involving the protection of personal and other sensitive information. Should a staff member deliberately bypass the legal requirements set out in the PCMLTFA and other legislation, the penalties could be as much as a fine of \$500,000 and/or five years' imprisonment.</p> <p><i>FINTRAC's Code of Conduct, Values and Ethics</i> serves to reinforce the legal obligations of employees to protect information under the PCMLTFA. Adherence to this code is a condition of employment for every FINTRAC employee.</p> <p>During the 2012–13 fiscal year, FINTRAC formalized its privacy management framework, consolidating the full suite of operational policies and security measures that control access and limit the use of the information to the purpose for which it was received or collected. The privacy framework also outlines how FINTRAC organizes, through governance and accountability, the delegation of privacy responsibilities, the coordination of privacy work, the management of privacy risks and compliance with privacy legislation. This comprehensive framework, which is overseen by a Chief Privacy Officer, helps to ensure a holistic approach to the Centre's management of personal information.</p> <p>In addition, the Centre also implemented a number of additional safeguards into the policies, procedures and training programs intended to further reduce the risks associated with the storage and transportation of third-party information in the context of compliance examinations.</p>	<ul style="list-style-type: none"> <li>• Financial Intelligence Program</li> <li>• Compliance Program</li> <li>• Internal Services</li> </ul>
<p><b>Compliance Program</b></p> <p>There is a risk that FINTRAC's Compliance Program may not have sufficient capacity to detect and/or enforce the</p>	<p>The quality of FINTRAC's financial intelligence stems directly from the quality and quantity of the financial information received by the Centre from those with obligations under the PCMLTFA.</p> <p>To address the risk that the compliance</p>	<ul style="list-style-type: none"> <li>• Compliance Program</li> </ul>

<p>desired level of compliance behaviours across key reporting entity sectors.</p>	<p>program may not have sufficient capacity to enforce the desired level of compliance behavior among reporting entities, the Centre utilizes a risk-based approach to deliver assessment, relations and support activities that help enforce compliance with legislative and regulatory obligations.</p> <p>Due to the large reporting entity population, report concentration and totality of reporting obligations, FINTRAC uses an enforcement strategy that employs sophisticated analytics ensuring that compliance activity is undertaken in a manner that is commensurate with the risk of non-compliance and its impact.</p>	
<p><b>Emergency Planning and Business Continuity Plans</b></p> <p>There is a risk that FINTRAC's emergency planning and Business Continuity Plans may not be robust enough to ensure continuous operation in the event of a serious incident.</p>	<p>Canada is not immune to terrorist events or to natural disasters such as fire, flooding or earthquakes. In the event that an incident does occur that impacts its normal operations, FINTRAC must be prepared to respond quickly and effectively.</p> <p>During the fiscal year, FINTRAC has continued to develop and implement, strategies and action plans to help mitigate the impact of any incident and to resume its operations in a reasonable amount of time. This included a review and update of the Centre's Business Continuity Plan, incident monitoring and response procedures.</p> <p>The Centre also continues to explore with partners the potential of establishing a separate disaster recovery site that would allow FINTRAC to resume key aspects of its work in the event of a disaster having an impact on the usability of its offices.</p>	<ul style="list-style-type: none"> <li>• Financial Intelligence Program</li> <li>• Compliance Program</li> <li>• Internal Services</li> </ul>

## Summary of Performance

### Financial Resources – Total Departmental (\$ millions)

Total Budgetary Expenditures (Main Estimates) 2012–13	Planned Spending 2012–13	Total Authorities (available for use) 2012–13	Actual Spending (authorities used) 2012–13	Difference (Planned vs. Actual Spending)
52.2	55.1	56.2	54.0	1.1

### Human Resources (Full-Time Equivalents—FTEs)

Planned 2012–13	Actual 2012–13	Difference 2012–13
345	359	14*

\*Staffing levels were increased in 2012–13 to accommodate the Centre's workload.



**Performance Summary Table** for Strategic Outcome and Programs (\$ millions)

Strategic Outcome: A Canadian financial system resistant to money laundering and terrorist financing.

Program	Total Budgetary Expenditures (Main Estimates 2012-13)	Planned Spending			Total Authorities (available for use) 2012-13	Actual Spending (authorities used)			Alignment to Government of Canada Outcomes
		2012-13	2013-14	2014-15		2012-13	2011-12	2010-11	
Financial Intelligence Program	22.2	23.4	23.3	22.5	23.9	22.7	0	0	A Safe and Secure Canada
Compliance Program	22.2	23.4	23.3	22.5	23.9	23.1	0	0	A Safe and Secure Canada
Detection and deterrence of money laundering and terrorist financing*	0	0	0	0	0	0	50.6	42.1	
<b>Strategic Outcome Sub-Total</b>	<b>44.4</b>	<b>46.8</b>	<b>46.6</b>	<b>45.0</b>	<b>47.8</b>	<b>45.8</b>	<b>50.6</b>	<b>42.1</b>	

\* FINTRAC's program, Detection and deterrence of money laundering and terrorist financing, has been removed from display and replaced by the Financial Intelligence Program and Compliance Program for 2012-13 and future years' Estimates and Public Accounts.



Performance Summary Table for Internal Services (\$ millions)

Internal Services	Total Budgetary Expenditures (Main Estimates 2012-13)	Planned Spending			Total Authorities (available for use) 2012-13	Actual Spending (authorities used)		
		2012-13	2013-14	2014-15		2012-13	2011-12	2010-11
	7.8	8.3	8.2	7.9	8.4	8.3	8.6	8.8
<b>Sub-Total</b>	<b>7.8</b>	<b>8.3</b>	<b>8.2</b>	<b>7.9</b>	<b>8.4</b>	<b>8.3</b>	<b>8.6</b>	<b>8.8</b>

Total Performance Summary Table (\$ millions)

Strategic Outcome and Internal Services	Total Budgetary Expenditures (Main Estimates 2012-13)	Planned Spending			Total Authorities (available for use) 2012-13	Actual Spending (authorities used)		
		2012-13	2013-14	2014-15		2012-13	2011-12	2010-11
Financial Intelligence Program	22.2	23.4	23.3	22.5	23.9	22.7	0	0
Compliance Program	22.2	23.4	23.3	22.5	23.9	23.1	0	0
Detection and deterrence of money laundering and terrorist financing*							50.6	42.1
Internal Services	7.8	8.3	8.2	7.9	8.4	8.3	8.6	8.8
<b>Total</b>	<b>52.2</b>	<b>55.1</b>	<b>54.8</b>	<b>52.9</b>	<b>56.2</b>	<b>54.0</b>	<b>59.2</b>	<b>50.9</b>

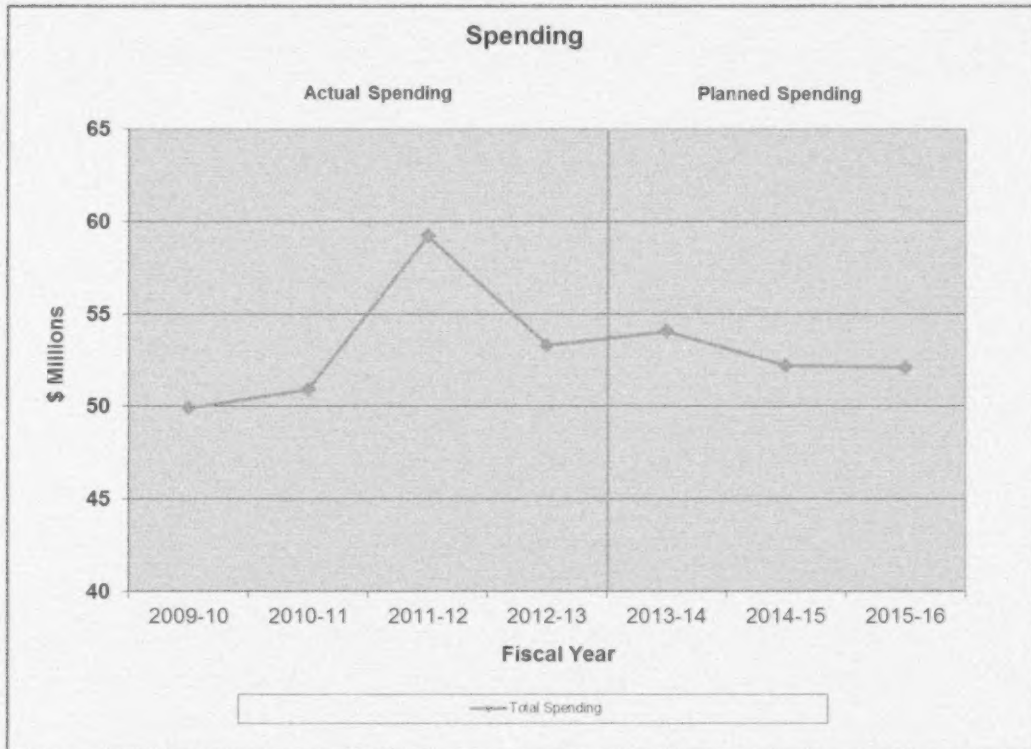
\* FINTRAC's program, Detection and deterrence of money laundering and terrorist financing, has been removed from display and replaced by the Financial Intelligence Program and Compliance Program for 2012-13 and future years' Estimates and Public Accounts

FINTRAC's Financial Intelligence Program represents approximately 42.5% of the Centre's spending. The Compliance Program represents approximately 42.5% of spending and Internal Services 15%. This trend is expected to continue over the next three fiscal years.

For further information on FINTRAC's actual and planned spending, please see the Expenditure Profile section.

## Expenditure Profile

### Departmental Spending Trend



#### Actual Spending (2009–10 to 2012–13)

In 2009–10, the total resources available for spending were \$53.7M. This included a reprofiled amount of \$1.85M from 2008–09. Actual Spending for 2009–10 was \$49.9M, with a total of \$1.3M being reprofiled into fiscal year 2010–11.

The total resources available for spending in 2010–11 were \$56.2M, including \$1.3M which was reprofiled from 2009–10. With the additional funding received in Budget 2010, FINTRAC invested \$3.5M in 2010–11 in technologies to enhance key business functions essential to assess and enforce compliance with PCMLTFA, and additional capacity to meet responsibilities related to tax evasion becoming a predicate offence to money laundering. Actual spending for 2010–11 was \$50.9M.

In 2011–12 additional funding was received in Budget 2010 (an additional \$5.0M, including EBP), as well as the receipt of an additional \$4.2M for severance pay and termination benefits. As part of the collective agreement negotiations with certain employee groups, and changes to

conditions of employment for executives and certain non-represented employees, the accumulation of severance benefits under the employee severance pay program ceased for these employees commencing in 2012. Employees subject to these changes were given the option to be immediately paid the full or partial value of benefits earned to date or to collect the full or remaining value of benefits on termination from the public service.

In 2012–13, an additional \$2.5M was received as a result of FINTRAC's Budget 2010 funding profile. Total resources available for spending were \$56.2M. Actual spending for 2012–13 was \$54.0M. The decrease in spending, compared to the prior year, is due to the following:

- Transfer of authorities related to functions adopted by Shared Services Canada (SSC);
- The sunseting of funding for FINTRAC for the National Anti-Drug Strategy (NADS) and other operating efficiencies announced in Budget 2012; and
- Lower expenditures related to severance pay and termination benefits which have ceased to accumulate.

#### **Planned Spending (2013–14 to 2015–16)**

Planned spending is expected to be \$54.8M in 2013–14, \$52.9M in 2014–15, and \$52.8M in 2015–16. This trend can largely be attributable to FINTRAC's Budget 2010 funding, which will decrease from \$10.0M in 2013–14 to \$8.0M in 2014–15 and ongoing. In fiscal year 2013–14 and ongoing, FINTRAC's financial resources will fully reflect the savings measures announced in Budget 2012, implemented in order to refocus government and programs.

#### **Estimates by Vote**

For information on FINTRAC's organizational Votes and/or statutory expenditures, please see the *Public Accounts of Canada 2013 (Volume II)*. An electronic version of the Public Accounts 2013 is available on the Public Works and Government Services Canada website.<sup>1</sup>

## Section II: Analysis of Programs by Strategic Outcome

### Strategic Outcome

#### A Canadian financial system resistant to money laundering and terrorist financing

- Financial Intelligence Program
- Compliance Program
- Internal Services

Strategic Outcome: A Canadian financial system resistant to money laundering and terrorist financing		
Performance Indicators	Targets	Actual Results
Percentage of FINTRAC disclosures of Financial Intelligence that are considered relevant to key partners.	80% of disclosures are relevant to key partners.	94% of disclosures related to a voluntary information record (VIR) and 87% of proactive disclosures were immediately relevant to an investigation.
Total number of publications on money laundering and terrorist financing methods and risks presented to reporting entities and investigative partners.	Increasing number of various strategic financial intelligence products which meet the needs of diverse partners and reporting entity sectors and further their understanding of money laundering and terrorist financing methods and risks.	16 strategic financial intelligence analysis and assessments produced along with contributions to 4 security and intelligence community papers, and presentations at 2 workshops/conferences.
Percentage of reporting entities with strengthened compliance regimes.	Upward trend. Methodology to be set in 2012–13.	Data collection pilot implemented in 2012–13. Full cycle of data collection to begin in fiscal year 2013–14.



## Financial Intelligence Program

### Program Description

FINTRAC's Financial Intelligence Program, mandated by the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (PCMLTFA), is a component of the broader national security and anti-crime agenda. The program contributes to the public safety of Canadians and strives to disrupt the ability of criminals and terrorist groups that seek to abuse Canada's financial system while reducing the profit incentive of organized crime. The main methods of intervention used by the program include receiving and analyzing reported financial transactions and other information the Centre is authorized to collect under the PCMLTFA. The program produces trusted and valued financial intelligence products including tactical case disclosures on suspected money laundering, terrorist activity financing and other threats to the security of Canada, as well as strategic intelligence such as money laundering and terrorist financing trends reports, country and group based financial intelligence assessments, and vulnerability assessments of emerging financial technologies or services. The program's products are relied upon and sought after by Canadian law enforcement at the federal, provincial and municipal levels, by counterpart agencies and domestic and international intelligence bodies, and by policy and decision-makers working to identify emerging issues and vulnerabilities in the Anti-Money Laundering and Anti-Terrorist Financing Regime.

### Financial Resources – (\$ millions)

Total Budgetary Expenditures (Main Estimates) 2012–13	Planned Spending 2012–13	Total Authorities (available for use) 2012–13	Actual Spending (authorities used) 2012–13	Difference 2012–13
22.2	23.4	23.9	22.7	0.7

### Human Resources (FTEs)

Planned 2012–13	Actual 2012–13	Difference 2012–13
147	148	1

## Performance Results

Expected Results	Performance Indicators	Targets	Actual Results
Disclosures of financial intelligence make an important contribution to investigations of money laundering and terrorist financing.	Percentage of feedback forms indicating that a disclosure was useful in support of key partner priority investigations.	70%	93%
	Percentage of feedback forms indicating that a proactive disclosure was useful in intelligence and investigative efforts of key partners.	50%	83%
Strategic financial intelligence products align with the priorities of investigators, intelligence analysts, policy and decision makers.	Percentage of strategic intelligence produced in support of a partner priority or a request.	70%	75%

## Performance Analysis and Lessons Learned

FINTRAC's disclosures are an important source of intelligence that assists in investigations of suspected money laundering and terrorist financing. In 2012–13, FINTRAC produced 919 financial intelligence disclosures. Of these, 719 were associated with money laundering, 157 dealt with cases of terrorist activity financing and other threats to the security of Canada, and 43 had associations to both money laundering and terrorist financing. Case disclosures were received by close to 1,500 recipients supporting investigations at the municipal, provincial and federal levels across the country.

During the year, 69% of case disclosures were initiated by voluntary information records (VIRs). VIRs are used by the Centre's investigative and intelligence partners to signal priority investigations where financial intelligence could make an important contribution. A total of 1,082 VIRs were received by the Centre during the 2012–13 fiscal year.

FINTRAC continues to receive positive feedback from law enforcement and national security partners that exceeds our targets. The value of a case disclosure rests in its usefulness and relevance. Case disclosures must be able to lead our law enforcement and national security regime partners to action. To meet this objective, FINTRAC's financial intelligence must be

closely aligned with our partners' priorities. To ensure this alignment, FINTRAC participates in ongoing discussions with the Canadian Association of Chiefs of Police and its committees dealing with organized crime and national security, as well as the Canadian Integrated Response to Organized Crime committee.

FINTRAC also produced various types of strategic intelligence to support the priorities of the national security policy-making community, domestic regime partners, and the broader security and intelligence community. These documents, based on extensive reviews of case disclosures and reports, dealt with sensitive issues, including specific risks and threats that may undermine the Canadian and international financial systems. Some of these reports examined the financial activities of certain terrorist and criminal groups, and jurisdictions. Others assessed vulnerabilities posed by emerging technologies or new methods of money laundering.

A particular highlight from this past year included the latest publication in FINTRAC's Trends and Typologies report series. Trends and Typologies reports assess the latest patterns characterizing money laundering and terrorist financing. To that end, the Centre produced a report in 2012 on the securities industry, outlining how its products and services may be used to launder money. The report also called on the securities sector to implement stronger compliance measures that will be more adept at detecting money laundering and terrorist activity financing activities, as more online services and products become available to consumers.

## Compliance Program

### Program Description

FINTRAC's Compliance Program is responsible for ensuring compliance with Part I of the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (PCMLTFA) and associated regulations. The compliance program utilizes a risk based approach to deliver enforcement, relations and support activities that help ensure compliance with legislative and regulatory obligations that apply to individuals and entities operating in Canada's financial system.

### Financial Resources – (\$ millions)

Total Budgetary Expenditures (Main Estimates) 2012–13	Planned Spending 2012–13	Total Authorities (available for use) 2012–13	Actual Spending (authorities used) 2012–13	Difference 2012–13
22.2	23.4	23.9	23.1	0.3

### Human Resources (FTEs)

Planned 2012–13	Actual 2012–13	Difference 2012–13
147	158	11

### Performance Results

Expected Results	Performance Indicators	Targets	Actual Results
Non-compliance among reporting entities is detected and addressed.	Percentage of cases where compliance behaviour is improved.	Upward trend. Methodology to be set in 2012–13.	Percentage of cases where non-compliance was detected: 90%  Percentage of cases in which corrective action was established to address non-compliance: 100%
Entities have access to timely and accurate information.	Percentage of general inquiries answered within established timeframes.	90%	Percentage of general enquiries answered within 5 business days: 94%  Percentage of policy interpretation request answered within 30 business days: 92%



## Performance Analysis and Lessons Learned

Through the delivery of an effective national risk-based compliance program, FINTRAC ensures that reporting entities comply with their legal obligations, which helps to create a deterrent effect against money laundering and terrorist financing activities. The compliance program also enables the collection of the quality and quantity of financial information that serves as the foundation for our analysis and financial intelligence.

FINTRAC conducts risk assessments in all sectors and has refined the compliance risk model to better identify the highest risk of non-compliance at a sub-sector level. These tailored compliance strategies are developed to ensure FINTRAC is better able to enforce general compliance, maximize sector coverage and make the best use of available resources. While the Centre uses a suite of assessment and enforcement activities, examinations are the primary instrument used to determine whether reporting entities are complying with their legal obligations.

In 2012–13, FINTRAC conducted 1,157 examinations, slightly exceeding the previous year's results. The Centre also issued 4,008 compliance assessment reports to reporting entities across several sectors. These reports were used to provide a preliminary assessment of reporting entity compliance with their legislative and regulatory obligations.

Where significant non-compliance was identified following an examination, tailored enforcement actions were taken, such as the issuance of an administrative monetary penalty (AMP). In 2012–13, FINTRAC issued 12 administrative monetary penalties, bringing the overall total to 41 since 2008.

FINTRAC's compliance program also responds to numerous enquiries concerning sector obligations and reporting requirements, along with many requests for policy interpretations. Throughout the year, FINTRAC responded to 8,163 telephone/email enquiries and 245 policy interpretation requests. In addition to responding to these enquiries, information sessions were delivered to reporting entities and associations to explain their obligations, while expressing the value of their reports in generating high quality disclosures. The Centre delivered key presentations at several events on compliance, including the FINTRAC Workshop in Toronto in April 2012, where the importance of enhanced data quality was highlighted.

In accordance with legal obligations for the money services business sector, 184 new money services businesses registered with FINTRAC this year. In addition, 316 renewed their registration as required, making it 788 money services businesses currently registered with FINTRAC. Money services business registration is the first step in ensuring that this sector complies with the PCMLTFA.



## Internal Services

### Program Description

Under the Internal Services Program activity are services that support the function of the organization and act as enablers for the organization's other program activity. Internal Services are groups of related activities and resources that are administered to support the needs of programs and other corporate obligations of an organization. These groups are: Management and Oversight Services; Communications Services; Legal Services; Human Resources Management Services; Financial Management Services; Information Management Services; Information Technology Services<sup>ii</sup>; Real Property Services; Materiel Services; Acquisition Services; and Travel and Other Administrative Services. Internal Services include only those activities and resources that apply across an organization and not to those provided specifically to a program.

#### Financial Resources – (\$ millions)

Total Budgetary Expenditures (Main Estimates) 2012-13	Planned Spending 2012-13	Total Authorities (available for use) 2012-13	Actual Spending (authorities used) 2012-13	Difference 2012-13
7.8	8.3	8.4	8.3	0

#### Human Resources (FTEs)

Planned 2012-13	Actual 2012-13	Difference 2012-13
51	53	2

### Performance Analysis and Lessons Learned

During 2012-13, FINTRAC had a number of key achievements within its Internal Services that will enable the Centre to continue to manage its resources effectively and securely.

The Centre reached a significant milestone this year when it undertook an independent Employment Systems Review to examine its workforce, employment systems and employment equity picture. The results of the review were positive, finding no substantial employment gaps and no indications of systemic employment barriers for employment equity groups. The Centre will use a number of the recommendations in the report to help sustain its cultural diversity.

Throughout the past year, FINTRAC continued to build its People Management Framework, establishing linkages between its leadership competencies and a number of framework components. New policies and directives were developed to clarify the Centre's people management expectations and various learning initiatives were undertaken to increase employee awareness across FINTRAC operations.

A staffing plans exercise was launched to coincide with other improvements to corporate reporting and planning, helping the Centre work toward integrating its business planning.

In view of the highly sensitive nature of the information that is handled by FINTRAC, the Centre focused on strengthening the security of its information systems and aligned its processes and procedures for monitoring and incident response to those outlined in the Government of Canada IT Incident Management Plan. Mandatory security awareness training was provided to all employees and additional targeted refresher training will be delivered to all staff in 2013–14. As well, FINTRAC updated its corporate training strategy to ensure it remains current in addressing privacy obligations.

A communications strategy was developed to identify communications priorities and targeted activities for 2012–13 and future years in support of the Centre's strategic objectives, as well as to increase public awareness and understanding of money laundering and terrorist financing.

In 2012–13, the owners of FINTRAC's Ottawa headquarters building undertook a comprehensive retrofit of their premises. In addition, through the optimization and acquisition of additional floor space, FINTRAC was able to consolidate all of its Ottawa employees in one headquarters building, enhancing the Centre's operational effectiveness and fortifying its security posture.

## Section III: Supplementary Information

### Financial Statements Highlights

#### Condensed Statement of Operations and Departmental Net Financial Position

<b>Financial Transactions and Reports Analysis Centre of Canada</b> <b>Condensed Statement of Operations and Departmental Net Financial Position (Audited)</b> <b>For the Year Ended March 31, 2013</b> <b>(\$ Thousands)</b>					
	<b>2012-13 Planned Results*</b>	<b>2012-13 Actual</b>	<b>2011-12 Actual</b>	<b>\$ Change (2012-13 Planned vs. Actual)</b>	<b>\$ Change (2012-13 Actual vs. 2011-12 Actual)</b>
Total expenses	60,967	61,991	62,811	-1,024	-820
Total revenues	0	0	0	0	0
Net cost of operations before government funding and transfers	60,967	61,991	62,811	-1,024	-820
Departmental net financial position	N/A	4,603	4,455	N/A	148

\* For further details on the 2012-13 Planned Results, refer to the financial statements.

\*\* Totals may not add due to rounding.

In 2012-13, total expenses of \$62M were \$0.8M lower than in 2011-12. The decrease is primarily due to a decrease in personnel and associated expenditures such as salary, severance pay and termination benefits. As part of changes to conditions of employment for executives and certain non-represented employees, the accumulation of severance benefits under the employee severance pay program ceased beginning in 2012.

**Condensed Statement of Financial Position**

<b>Financial Transactions and Reports Analysis Centre of Canada</b> <b>Condensed Statement of Financial Position (Audited)</b> <b>As at March 31, 2013</b> <b>(\$ Thousands)</b>			
	<b>2012-13</b>	<b>2011-12</b>	<b>\$ Change</b>
Total net liabilities	8,549	10,465	-1,916
Total net financial assets	4,626	7,144	-2,518
Departmental net debt	3,922	3,321	601
Total non-financial assets	8,525	7,776	749
Departmental net financial position	4,603	4,455	148

\* Totals may not add due to rounding.

Total net liabilities and net financial assets both decreased in 2012-13 compared to the prior year due to a large payable at year-end (PAYE) of \$2.2M in 2011-12 for the employee benefit plan (EBP). (This PAYE represents both a liability, as well as an asset.)

In 2012-13, the total net liabilities were also impacted by:

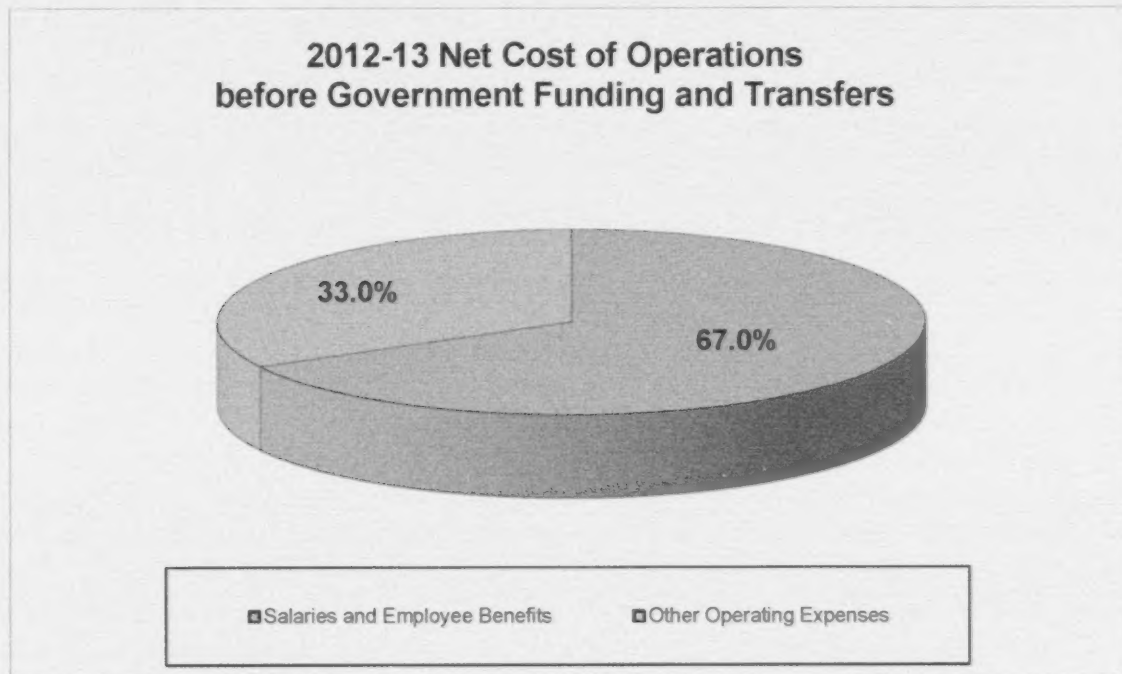
- a decrease of \$0.6M in old year payments (accrued payables).
- an increase of \$0.4M in accrued liabilities (for external PAYEs)
- an increase of \$0.1M in vacation pay; and
- an increase of \$0.3M in salary estimates for employee future benefits.

The decrease in total net financial assets, in addition to the aforementioned PAYE for EBP, was also influenced by a decrease in the amount due from the Consolidated Revenue Fund (CRF), as well as an increase of \$1.9M in the account receivables at year-end (RAYE).

Although the net change in total non-financial assets is less than 10%, a comprehensive review of asset classes resulted in significant write-offs in 2012-13. Acquisitions related to accommodations requirements such as space optimization and enhanced security posture offset the effects of the write-offs.

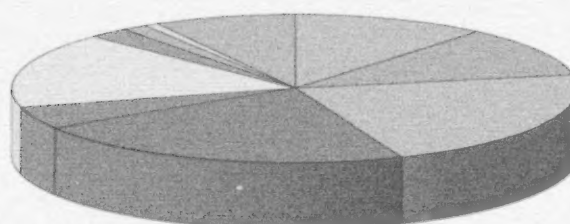


## Financial Highlights Charts/Graphs



The net cost of operations for fiscal year 2012-13 was \$62.0M, a decrease of 1.3% over the previous year's \$62.8M. The decrease is primarily due to a decrease in personnel expenditures. Salaries and employee benefits, in the amount of \$41.6M, represent the largest portion with 67.0%. Other operating expenses, in the amount of \$20.4M detailed in the chart entitled "2012-13 Operating Expenses (excluding salaries and employee benefits)" on the following page, represent 33.0%.

### 2012-13 Operating Expenses (excluding salaries and employee benefits)



■ Amortization of tangible capital assets	■ Repairs and maintenance
■ Professional and special services	■ Accommodations
■ Travel and relocation	■ Telecommunication services
■ Utilities, materials and supplies	■ Machinery and equipment
■ Other expenditures	■ Communication services

Operating expenses, excluding salaries and employee benefits, totalled \$20.4M in fiscal year 2012-13. The largest share of expenses was accommodations (\$4.5M), professional and special services (\$4.4M), telecommunications services (\$3.4M) and amortization of tangible capital assets (\$2.3M).

## Financial Statements

The financial highlights presented within the Departmental Performance Report are intended to serve as a general overview of the Centre's financial position as presented in its Financial Statements.<sup>iii</sup>

## Supplementary Information Tables

- Greening Government Operations<sup>iv</sup>
- Internal Audits and Evaluations<sup>v</sup>
- Response to Parliamentary Committees and External Audits<sup>vi</sup>
- Sources of Respendable and Non-Respendable Revenue<sup>vii</sup>

All electronic supplementary information tables listed in the 2012–13 Departmental Performance Report can be found on FINTRAC's website.

## Tax Expenditures and Evaluations Report

The tax system can be used to achieve public policy objectives through the application of special measures such as low tax rates, exemptions, deductions, deferrals and credits. The Department of Finance publishes cost estimates and projections for these measures annually in the Tax Expenditures and Evaluations publication. The tax measures presented in the Tax Expenditures and Evaluations publication are the sole responsibility of the Minister of Finance.<sup>viii</sup>

## Section IV: Other Items of Interest

### Organizational Contact Information

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## Endnotes

<sup>i</sup> The Public Accounts of Canada 2013 (<http://www.tpsgc-pwgsc.gc.ca/recgen/cpc-pac/index-eng.html>)

<sup>ii</sup> Internal Services figures include only the portion of IT services dedicated to organization-wide activities. Program-specific IT costs are included in the figures for the "Financial Intelligence" and "Compliance" programs.

<sup>iii</sup> Financial Statements of the Financial Transactions and Reports Analysis Centre of Canada (FINTRAC) (<http://www.fintrac-canafe.gc.ca/publications/finance/20131010-eng.asp>)

<sup>iv</sup> Greening Government Operations (<http://www.fintrac-canafe.gc.ca/publications/dpr-rmr/2012-2013/ggo-cog-eng.asp>)

<sup>v</sup> Internal Audits and Evaluations (<http://www.fintrac-canafe.gc.ca/publications/dpr-rmr/2012-2013/ia-vi-eng.asp>)

<sup>vi</sup> Response to Parliamentary Committees and External Audits (<http://www.fintrac-canafe.gc.ca/publications/dpr-rmr/2012-2013/rpc-rp-eng.asp>)

<sup>vii</sup> Sources of Respendable and Non-Respendable Revenue (<http://www.fintrac-canafe.gc.ca/publications/dpr-rmr/2012-2013/rmr-rdrnd-eng.asp>)

<sup>viii</sup> Government of Canada Tax Expenditures (<http://www.fin.gc.ca/purl/taxexp-eng.asp>)